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Message Text

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PAGE 01 MEXICO 03164 151717Z
ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 AGRE-00 COME-00 STR-04 TRSE-00
OMB-01 L-03 ITC-01 EUR-12 CIAE-00 INR-07 NSAE-00 SP-02
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E. O. 11652: N/A
TAGS: ETRD, EAGR, MX
SUBJECT: SUGAR DISCUSSIONS WITH GEPLACEA OFFICIALS

REF: STATE 037609

1. EMBOFFS HAD A TALK ON MARCH 11 WITH JORGE BRIOSO DOMINGUEZ, GEPLACEA EXECUTIVE SECRETARY, AND HIS ASSISTANT DR. MANUEL DIAZ FRANJUL, BOTH SECRETARY RETURNED FROM HAVANA MEETING.

2. BRIOSO INDICATED THAT THE ENTIRE GEPLACEA MEMBERSHIP FAVORS AN INTERNATIONAL SUGAR AGREEMENT(ISA) BASED ON EXPORT QUOTAS. QUOTAS WOULD BE AFFECTED BY PRICE TRIGGER POINTS, WITH POINTS HAVING A SUFFICIENTLY WIDE RANGE TO AVOID UNDUE INTERFERENCE DURING NORMAL MARKET FLUCTUATIONS. EXPORTING COUNTRIES WOULD ASO, OF COURSE, PREFER TO HAVE SOME ASSURANCE OF MARKET AVAILABILITY. BRIOSO SAID THAT A DRAFT ALONG ABOVE LINES FOR A NEW ISA WAS COMPLETED DURING PREPARATORY LONDON TALKS, WITH BLANKS BEING LEFT FOR SPECIFIC FIGURES AND THAT THIS DRAFT HAS BEEN SENT TO UNCMAD. HE WENT ON TO SAY THAT EACH GEPLACEA MEMBER COUNTRY WOULD REPRESENT ITS OWN INTERESTS DURING ISA NEGOTIATIONS AND THAT GEPLACEA WOULD NOT REPRESENT ANY
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PAGE 02 MEXICO 03164 151717Z

BLOC OF COUNTRIES DURING THE NEGOTIATIONS. ASSUMING THE DRAFT IS ACCEPTED IN ITS BASIC FORM, THE MAJOR POINTS LEFT FOR NEGOTIATION ARE PRICES AND QUOTAS. HE SAW NO POSSIBILITY FOR ADDITIONAL PREPARATORY MEETINGS PRIOR TO APRIL 18.

3. BRIOSO EXPRESSED THE OPINION THAT THE ISA SHOULD ALSO

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

CONTROL PRODUCTION OF OTHER NATURAL SWEETENERS, SUCH AS HIGH FRUCTOSE CORN SYRUP(HFCS). EMBOFFS DISABUSED HIM OF ANY LIKELIHOOD THAT HFCS PRODUCTION WOULD EVER BE LEGISLATIVELY RESTRICTED IN THE U.S.

4. AS HE HAS SAID IN THE PAST, BRIOSO IS VERY CONCERNED THAT THE U.S. WILL NOT HAVE A CLEARLY DEFINED POLICY POSITION WHEN NEOGTIATIONS BEGIN AND THAT THIS WILL IMPEDE OR PREVENT A FINAL AGREEMENT. HE IS ALSO CONCERNED ABOUT THE EC PREFERENCE FOR A BUFFER STOCK SYSTEM, WHICH HE CONSIDERS TO BE COMPLETELY UNWORKABLE. HE FEELS THAT U.S. AND EC PARTICIPATION IN A FINAL AGREEMENT IS ESSENTIAL, AND THAT EXCLUSION OF BOTH OF THEM WOULD EFFECTIVELY KILL THE EFFORT.

5. BRIOSO AND DIAZ WERE BOTH CONCERNED ABOUT THE RECENT ITC FINDINGS AND RECOMMENDATION ABOUT WHICH THEY WERE WELL INFORMED. EMBOFFS EXPLAINED THE PROCESS WHICH THE RECOMMENDATIONS WOULD HAVE TO GO THROUGH UNDER U.S. LAW IN ORDER TO GO INTO EFFECT AND THE OPPORTUNITIES THAT ALL AFFECTED PARTIES WOULD HAVE TO PRESENT ARGUMENTS TO THE SPECIAL TRADE REPRESENTATIVE BEFORE THE PRESIDENT MAKES A DECISION. BRIOSO WAS CONCERNED THAT THE ITC RECOM-MENDATION FOR COUNTRY QUOTAS WAS A STEP TOWARD PRE-FERENTIAL MARKETS, SOMETHING HE HAD BELIEVED U.S. HAD NOT FAVORED. HE DID NOT SEEM BOTHERED BY THE RECOM-MENDATION OF A QUOTA BUT RATHER THAT THE ONE RECOM-MENDED (4.275 MILLION SHORT TONS) WAS MUCH TOO LOW. FURTHERMORE HE PREFERRED A GLOBAL QUOTA.
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6. BRIOSO RAISED THE POINT AS TO WHETHER OR NOT EFFECTS OF HFCS COMPETITION AND THE RECENT SACCHARINE BAN WERE CONSIDERED BY THE ITCS. ACCORDING TO GEPLACEA CALCU-LATIONS, SACCHARINE USE WORLDWIDE WOULD EQUATE TO ABOUT 2,000,000 TONS OF SUGAR. SACCHARINE CONSUMPTION IN THE U.S. WOULD EQUATE TO AT LEAST 800,000 TONS AND THEY PRE-DICT THAT WITH THE ELIMINATION OF SACCHARINE USE IN THE U.S., ABOUT HALF OF THAT AMOUNT WOULD BE COMPENSATED FOR BY SUGAR AND THE OTHER HALF BY HFCS. HE WAS CONCERNED THAT TOO SMALL A U.S. IMPORT QUOTA COULD KEEP THE U.S. DOMESTIC PRICE SO HIGH THAT ADDITIONAL SWEETENER DEMAND WOULD BE FULFILLED BY HFCS.
THOMPSON

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EO Systematic Review
22 May 2009
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